

Summary
HIGHER EDUCATION FY 2003-04
House Bill 4396
Public Act 144 of 2003



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Budget Overview

The higher education budget currently provides funding for the operational needs of state universities, need-based and merit-based financial aid programs for college students, grants for independent colleges and universities, and support for statewide programs.

Summary of Major Budget Issues

State University Operational Funds – The Executive budget proposed an across-the-board reduction of 6.74% from current-year levels. P.A. 144 of 2003 provides funding ranging from an increase of 1.9% to cuts of 6.74%.

Statewide Programs – Included in the Executive budget was \$64.7 million, a reduction of nearly \$7.0 million in support of these programs. P.A. 144 deletes funding for the Japan Center and the Midwest Higher Education Compact (which funding was vetoed by the Governor).

Michigan Merit Awards – Funding for this program was recommended at \$65.1 million to support awards for graduating high-school seniors from the classes of 2000 through 2003 who achieved qualifying scores. Awards for recipients from the class of 2004 would be funded in the FY 2005 budget. P.A. 144 adds about \$65.0 million to the Executive recommendation for the first half of payments for the class of 2004 Award recipients.

Tuition Incentive Program (TIP) – The Executive recommends an increase of \$4.0 million in this program targeted at low-income Medicaid-eligible students to address increased participation rates and higher college costs. P.A. 144 includes that increase.

Other Financial Aid Programs – The Executive proposed elimination of seven financial aid and grant programs and the creation of a new needs-based Michigan Opportunity Scholarships program, which would absorb nearly all of the funding currently directed to five of the seven programs proposed for termination. P.A. 144 deletes the degree reimbursement programs and reallocates that funding to the competitive scholarship and tuition grant line items.

MPSERS Contribution Subsidy – The Executive proposed to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system. The House and Senate concur, thus enabling MPSERS contribution rates to be frozen at their current-year levels.

| | FY 2002-03 YTD (as of 3/6/03) | Executive | House | Senate | Enacted | Difference: Enacted to 2002-03 YTD | |
|-------------------|-------------------------------------|------------------------|------------------------|------------------------|------------------------|---------------------------------------|--------------|
| | | | | | | Amount | % |
| IDG/IDT | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | 0.0 |
| Federal | 5,500,000 | 4,400,000 | 4,400,000 | 4,400,000 | 4,400,000 | (1,100,000) | (20.0) |
| Local | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Private | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Restricted | 84,534,802 | 78,350,000 | 138,350,000 | 171,540,926 | 152,750,000 | 68,215,198 | 80.7 |
| GF/GP | 1,741,466,933 | 1,632,687,000 | 1,632,687,000 | 1,642,240,348 | 1,632,604,500 | (108,862,433) | (6.3) |
| Gross | \$1,831,501,7355 | \$1,715,437,000 | \$1,775,437,000 | \$1,818,181,274 | \$1,789,754,500 | (\$41,747,235) | (2.3) |
| FTEs | 1.0 | 0.0 | 1.0 | 1.0 | 1.0 | 0.0 | 0.0 |

Note: FY 2002-03 YTD figures do not include the results of any supplementals, transfers, or Executive Order actions that occurred after March 6, 2003.

| <u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u> | | <u>FY 2002-03 YTD (as of 3/6/03)</u> | <u>Enacted Change from YTD</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------|-----------------------------------------------|
| <i>1. State Universities - Operations</i> | | | |
| The enacted bill first applies a 6.74% reduction, allocates | Gross | \$1,558,942,342 | (\$95,506,842) |
| Merit Trust funds to campuses below \$3,890 per FYES, and | Restricted | 8,077,436 | 1,422,564 |
| caps funding increases at \$5 million. | GF/GP | 1,550,864,906 | (96,929,406) |
| <i>2. Statewide Programs</i> | | | |
| P.A. 144 of 2003 retains full funding for the Midwest | Gross | \$68,747,491 | (\$6,779,391) |
| Higher Education Compact dues, eliminates funding for the | Restricted | 2,245,934 | (2,245,934) |
| Japan Center, and maintains funding for the HEIDI | GF/GP | 66,501,557 | (4,533,457) |
| database operations. The Governor vetoed funding for the | | | |
| Compact dues. | | | |
| <i>3. King-Chavez-Parks Programs</i> | | | |
| Three KCP programs (student support services, | Gross | \$2,885,884 | (\$194,384) |
| college/university partnership, and educator development) | Restricted | 14,953 | (14,953) |
| would be reduced in FY2004 under the executive budget. | GF/GP | 2,870,931 | (179,431) |
| The enacted bill adopts the Executive levels of funding. | | | |
| <i>4. Michigan Merit Award Program</i> | | | |
| The Executive budget added a 1.2% increase in restricted- | Gross | \$64,323,850 | \$65,676,150 |
| dollar funding to support residual payments for the classes | Restricted | 64,323,850 | 65,676,150 |
| of 2000 through 2003. The Executive proposed that these | | | |
| awards be reduced from \$2,500 to \$500 for high school | | | |
| graduation classes beginning with the class of 2004. | | | |
| Payment of awards for that class would have been funded in | | | |
| the FY05 budget. | | | |
| <p>The enacted bill rejected the Executive-proposed reduction in the level of Merit Awards and adopted a funding level that is \$130 million for FY2003-04. That amount is midway between the House and Senate-passed amounts and provides for the first installment of the Merit Awards for the high school graduation class of 2004.</p> | | | |

| Major Budget Changes from FY 2002-03 YTD Appropriations: | | FY 2002-03 YTD (as of 3/6/03) | Enacted Change from YTD |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------------------------------|----------------------------------------|
| 5. Michigan Opportunity Scholarships | Gross | \$0 | \$0 |
| The Governor proposed a new scholarship program that would replace five of the seven financial aid and grant programs (described below). The new program would be needs-based and provide support for in-state use of these scholarships at a public or independent college or university. Under a phase-out plan, current recipients of state competitive scholarships and tuition grant programs would continue to receive funding as long as they remain eligible. FY 04 funding for this initiative would be slightly less than the FY 03 aggregate of the five financial aid programs. The enacted bill does not include funding for this proposed program. | Federal | 0 | 0 |
| | GF/GP | 0 | 0 |
| 6. State Competitive Scholarships | Gross | \$35,993,486 | (\$462,986) |
| Under the Executive budget, this program, which provides support to students attending a public or independent college or university and which is needs- and merit-based, would be eliminated, and the funding transferred to the Michigan Opportunity Scholarship program. The enacted bill reduces, after transfer of funds from the general degree and allied health degree reimbursement programs, total funding by \$463,000. | Federal | 3,600,000 | (700,000) |
| | Restricted | 165,273 | (165,273) |
| | GF/GP | 32,228,213 | 402,287 |
| 7. Tuition Grants | Gross | \$64,778,121 | (\$10,021) |
| This program, which provides support to students attending only an independent college or university and which is needs-based, would be eliminated under the Executive budget, and the funding transferred to the proposed Michigan Opportunity Scholarship program. The enacted bill includes funds transferred from the degree reimbursement line-items discussed below. | Restricted | 330,501 | (330,501) |
| | GF/GP | 64,447,620 | 320,480 |
| 8. Michigan Work-Study Program | Gross | \$7,855,475 | (\$529,175) |
| Financial support for this program, which provides support to students attending a public or independent college or university at least half-time and which is needs-based, would be eliminated, and monies would be transferred to the proposed Michigan Opportunity Scholarships (MOS) program under the Executive budget. The enacted bill reduces funding by 6.74%. | Restricted | 40,079 | (40,079) |
| | GF/GP | 7,815,396 | (489,096) |

| <u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u> | | FY 2002-03 YTD (as of 3/6/03) | Enacted Change from YTD |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------------------------------|----------------------------------------|
| 9. Adult Part-time Grant | Gross | \$2,844,937 | (\$191,637) |
| The Executive proposed termination of funding for this program, which provides support to students attending a public or independent college or university and which is needs-based, and the transfer of monies to the proposed Michigan Opportunity Scholarship(MOS) program. The enacted bill retains the program and applies a 6.74% reduction to FY 2002-03 levels. | Restricted | 14,515 | (14,515) |
| | GF/GP | 2,830,422 | (177,122) |
| 10. Michigan Education Opportunity Grants (MEOG) | Gross | \$2,234,692 | (\$150,492) |
| Funding for this program, which provides support to students attending a Michigan public community college or university and which is needs-based, would be eliminated under the Executive budget and monies transferred to the proposed Michigan Opportunity Scholarship program. P.A. 144 of 2003 retains the program and reduces its funding by 6.74%. | Restricted | 11,402 | (11,402) |
| | GF/GP | 2,223,290 | (139,090) |
| 11. General Degree Reimbursement Grants | Gross | \$5,967,611 | (\$5,967,611) |
| The Executive proposed termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates. The enacted bill eliminates funding for this grant and transfers funds to the Competitive Scholarships and Tuition Grants line-items. | Restricted | 30,921 | (30,921) |
| | GF/GP | 5,936,690 | (5,936,690) |
| 12. Allied Health Degree Reimbursement Grants | Gross | \$902,397 | (\$902,397) |
| The Executive proposed termination of this program, which provides funds to independent colleges and universities based on the number of prior academic-year graduates in allied health programs. P.A. 144 of 2003 eliminates funding for this grant and transfers funds to the Competitive Scholarships and Tuition Grants line-items. | Restricted | 4,676 | (4,676) |
| | GF/GP | 897,721 | (897,721) |
| 13. Dental Clinics Grant | Gross | \$4,875,449 | (\$328,449) |
| The governor proposed retention of the dental clinics grant to the University of Detroit-Mercy for provision of dental services to low-income recipients in southeastern Michigan. The enacted bill concurs with the 6.74% reduction proposed by the Governor. | Restricted | 25,262 | (25,262) |
| | GF/GP | 4,850,187 | (303,187) |
| 14. Byrd Scholarship Program | Gross | \$1,900,000 | (\$400,000) |
| Due to reduced federal funding, the Executive budget reduces this federally-funded scholarship program. The enacted bill reduces funding accordingly. | Federal | 1,900,000 | (400,000) |

| <u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u> | | FY 2002-03 YTD (as of 3/6/03) | Enacted Change from YTD |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------------------------------|----------------------------------------|
| 15. Tuition Incentive Program (TIP) | Gross | \$5,250,000 | \$4,000,000 |
| The Executive recommended an increase of \$4 million in this program targeted at low-income Medicaid-eligible students by providing financial assistance to attend college. The additional funding addresses increased participation rates and higher college costs. The enacted bill includes the additional funding. | Restricted | 5,250,000 | 4,000,000 |
| 16. MPSERS Contribution Subsidy | Gross | N/A | N/A |
| The Executive proposed to use funds in a Michigan Public School Employee Retirement System (MPSERS) stabilization subaccount to offset the required contribution rate increase for the seven state universities who have employees in the MPSERS system. There is no appropriation required for this action to occur. The enacted bill includes Senate-proposed language. | Federal | n/a | n/a |
| | Restricted | n/a | n/a |
| | GF/GP | n/a | n/a |

SUPPLEMENTALS

| | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------|--------------------|
| 1. FY 2002-03 State University Operations | | | |
| Public Act 144 of 2003 provided for supplemental funding for twelve state universities that did not receive floor-funding increases greater than \$600,000. | Gross | 0 | \$7,000,000 |
| | Restricted | 0 | 7,000,000 |
| 2. FY 2002-03 Tuition Incentive Program (TIP) | | | |
| Public Act XXX of 2003 provided for supplemental funding for the TIP program. Increased enrollment, greater retention, and higher tuition costs account for the increased need for funding. | Gross | 0 | \$3,400,000 |
| | Restricted | 0 | 3,400,000 |

Major Boilerplate Changes from FY 2002-03:

Sec. 304. General Degree Reimbursement Grant – DELETED

The Executive proposed repeal of the statute and enactment of the Michigan Opportunity Scholarship program. The House substitute retained and revised subsections (1) and (2) and deleted the remaining subsections. The Senate retained current law, except for deletion of the set-aside language in subsections (3) through (5). The Conference Report deleted this section.

Sec. 305. Allied Health Degree Reimbursement Grant – DELETED

Language related to the allied health degree reimbursement grant program is deleted, since the Executive proposed repeal of the statute and enactment of the Michigan Opportunity Scholarship program. The House version concurred in the deletion of this section. The Senate revised the current section to identify the equally prorated amount of the reimbursement grant. The Conference Report deleted this section.

Sec. 315. Dental Clinics Grant (New)

The Executive added language to specify that funds provided to the University of Detroit Mercy and previously listed as a dental degree reimbursement line item is intended to support dental clinical services (as the current appropriation does). The House, Senate, and Conference Report concurred.

Sec. 433. Project GREEN – REVISED

The Executive proposal reduced funding for Project GREEN by 6.74%. The House, Senate, and Conference Report concurred.

Sec. 436. Tuition Restraint – REVISED

Current law specifies a maximum resident undergraduate tuition and fee increase for FY03 of the greater of \$425 or 8.5%. The Executive proposed “reasonable” tuition increases without stating a limit either in dollar increase or in percent increase. The House, Senate, and Conference Report concurred with the Executive.

Sec. 437. MPSERS Contribution Rate (New)

The House substitute added intent language related to use of a MPSERS stabilization subaccount to maintain the 2003-04 fiscal year contribution rate at the FY 2002-03 level of 12.99%. The Senate modified the House language to eliminate reference to the contribution rate. The Conference Report accepted the Senate language.

Sec. 439. Dormitory Smoking Policy Report (New)

The House and Senate added language regarding a proposed December 2003 report by the state universities concerning its smoking policy in dormitories and residence halls. The public act includes this language.

Sec. 1201. FY03 Supplemental (New)

The Conference Report added \$7 million in a one-time supplemental for thirteen of the fifteen state universities. \$2.75 million is distributed proportionately on the basis of FY03 funding. \$2.75 million is distributed on an equal-dollar basis for eleven universities, and CMU is allocated \$1.5 million.

Sec. 1301. Switch in Fund Source for December 2002 FY03 Supplemental (New)

The Senate version added text to switch the fund source for the December 2002 FY03 supplemental from the Merit Award Trust Fund to the Tobacco Settlement Trust Fund. The Conference Report accepted the Senate language.

Sec. 1302. Intent Language Concerning Financial Aid Notice (New)

The Senate added intent language regarding notification of competitive scholarship and tuition grant award recipients by July 1, 2003. The Conference Report modified the Senate language by revising the notification date to July 31, 2003.